

## **BUDGET, FINANCE & INVESTMENT COMMITTEE**

**December 4, 2008**

**5:30 P.M.**

**Courthouse**

### MINUTES:

#### Members Present:

Comm. Bob Bullen  
Comm. Joe Frank Jernigan  
Comm. Will Jordan  
Comm. Robert Peay, Jr.  
Comm. Doug Shafer  
Comm. Steve Sandlin  
Comm. Joyce Ealy

#### Others Present:

Ernest Burgess  
Teb Batey  
Georgia Lynch  
Hooper Penuel  
Lisa Nolen  
Lois Miller  
Mike Nunley

#### Others Present:

Jeff Sandvig  
Rhonda McFerrin  
Lee Campbell  
Tom Vandervort  
Steve Cates  
Ron Scudder  
Rena Scudder

#### Others Present:

Sue Cain  
Elaine Short

Chairman Ealy presided and called the meeting to order at 5:30 P.M. with all members being present.

### APPROVE MINUTES:

The minutes of the November 6, 2008 Budget Committee meeting were presented for approval.

Comm. Shafer moved, seconded by Comm. Jernigan to approve the minutes as presented. The motion passed unanimously by acclamation.

### INVESTMENT REPORT:

Mr. Teb Batey, Trustee, presented the monthly Investment Report for the use and information of the committee advising that the LGIP interest rate for the month was 2.14%. He advised that no transactions had occurred during the last month, but one bid was accepted today from Wilson Bank and Trust, and the interest rate had increased 30 basis points.

Mr. Batey updated the committee on the property tax collections advising that 96.81% of the 2007 property taxes had been collected as of the end of November which was about a half of a percent behind the 2006 property tax collections for the same period last year. Mr. Batey explained that at the end of November 2006 89.6% of the 2006 property taxes had been collected. At the end of November 2007, 15.4% of the 2007 property taxes had been collected, and at the end of November 2008 8.65% of the 2008 property taxes had been collected. The reason the November 2007 collections were higher was because a mortgage company that usually pays in December paid in November of last year. He stated that the November 2008 collections reflected the normal trend of collections.

Following review, Comm. Sandlin moved, seconded by Comm. Jernigan to approve the Investment Report as presented. The motion passed unanimously by roll call vote.

### FUND CONDITION REPORT:

Finance Director Lisa Nolen, presented the monthly Fund Condition Report for the period ending November 30, 2008 advising that the Development Tax collections for the month totaled \$224,250 with the year-to-date collections being \$2,028,750. This compared to the same period last year when the November 2007 Development Tax collections were \$303,000 and the year-to-date collections were \$1,677,750.

The Finance Director reviewed the fund cash balances which totaled \$105,305,864 with \$83,793,601 being operating funds and \$21,512,263 being borrowed funds. This compared to the same period last year when the total cash balances were \$158,144,664 with \$108,539,635 being operating funds and \$49,605,029 being borrowed funds. She directed the committee's attention to the cash balances for the General Fund, General Purpose School Fund, and Debt Service Fund, which had significantly lower cash balances than November of 2007. This related to the lower property taxes collected for the month of November. She also reminded the committee that the cash balance for the General Fund began the year with Four Million Dollars

less. Secondly, approximately \$2.6 million more in expenditures had been spent at this point in the year compared to the same period for last year. It is anticipated that approximately \$6 million of the fund balance in the General Fund will be used this fiscal year with the majority of that being for payroll expenses.

The Finance Director reminded the committee that Ten Million Dollars had been borrowed from the General Debt Service Fund for the Interfund Capital Outlay Note, and if that Ten Million was added back to the Debt Service Fund the cash balance would be \$27.8 million compared to \$30.9 million for the same period last year.

The Finance Director presented an analysis of the revenue collections compared to the previous five years. The most significant reductions were in the building permits and the fees collected from County Officials.

Following review, Comm. Sandlin moved, seconded by Comm. Jordan to approve the Fund Condition Report as presented. The motion passed unanimously by acclamation.

#### INSURANCE REPORT:

Mrs. Lois Miller, Insurance Director, presented the monthly Insurance Report for the use and information of the committee. The medical claims were averaging \$538.88 per employee with the total medical costs for the year including administration fees being \$14,652,307. She stated that the increased experience in the plan was directly related to large claim activity. The dental plan enrollment remained stable, and the average cost per visit for the CareHere Clinics was \$80.65 per employee.

The monthly claims cost for the Worker's Compensation Program was \$143,304, with the claims running 186% over last year. She advised this month's claims were higher due to a \$60,000 settlement.

Following review, Comm. Sandlin moved, seconded by Comm. Peay to approve the monthly Insurance Report as presented. The motion passed unanimously by acclamation.

#### RECOMMENDATION TO AMEND HEALTH INSURANCE PLAN DOCUMENT REGARDING ELIGIBLE RETIREES:

Mrs. Miller advised that she had been thoroughly reviewing the Health Insurance Plan Document and trying to make it match the way the plan had been administered for multiple years. She discovered that pre-65 retirees have automatically been enrolled in the same medical plan option and the same enrollment tier (single or family) that they were enrolled in as active employees. There has been a five-year requirement for both the plan and tier. If a retiree wants to change tiers due to a life event, that has been allowed, but Rutherford County does not contribute to the coverage of a new member. The additional cost is borne by the retiree. The plan has been administered that if the retiree leaves the plan, they cannot come back. Mrs. Miller stated that she was trying to document things like this that have been ongoing for multiple years.

The Plan Document does require a five-year continuous participation in the Insurance Program, but it is silent regarding plan options and enrollment tiers. It is also silent regarding life events and new members. There is no direction in the Plan Document as to exit and re-entry into the plan.

With the implementation of the new Option 3 HRA plan that will only be offered to active employees, the requirement that pre-65 retirees must be enrolled in the same plan for extended periods needed to be revisited. In addition, the addition of new members through life events and exit and re-entry rules should also be added.

It was recommended that Pre-65 retirees be given their choice of whatever options were open to them at the time of their retirement. It was also recommended that the five-year participation remain, and that the tier requirement be made a written part of the Plan Document. In addition, it

was also recommended that the addition of new members through life events and exit and re-entry rules should also be added.

Mrs. Miller advised that the Insurance Committee was recommending the following language be included in the Health Insurance Plan Document:

“Eligible retirees may select any Plan Option that is available to them at their time of retirement. The retiree will be enrolled in the tier of coverage that they occupied as an active employee for the five (5) years prior to retirement.

If the retired employee experiences a life change requiring the addition of a spouse or child to the plan, they may add that additional member at their own cost. Rutherford County will not contribute to that additional member’s premium cost. Retired employees may not add dependents during the annual Open Enrollment period.

Any retiree or member who leaves the plan will not be allowed re-entry into the plan.”

Comm. Jordan stated that this change would allow more flexibility for the enrollees than what was currently allowed.

Following review, Comm. Jordan moved, seconded by Comm. Bullen to approve the recommendation of the Insurance Committee by amending the Health Insurance Plan Document to include the following language:

“Eligible retirees may select any Plan Option that is available to them at their time of retirement. The retiree will be enrolled in the tier of coverage that they occupied as an active employee for the five (5) years prior to retirement.

If the retired employee experiences a life change requiring the addition of a spouse or child to the plan, they may add that additional member at their own cost. Rutherford County will not contribute to that additional member’s premium cost. Retired employees may not add dependents during the annual Open Enrollment period.

Any retiree or member who leaves the plan will not be allowed re-entry into the plan.”

The motion passed unanimously by roll call vote.

RECOMMENDATION TO AMEND HEALTH INSURANCE PLAN DOCUMENT TO INCLUDE FRAUD PROVISION:

Mrs. Miller advised that the review of the Health Insurance Plan Document revealed that there was no provision included pertaining to fraudulent acts perpetrated by members of the health plan. Because Rutherford County’s plan is self-funded for plan costs, a fraudulent act that results in the loss of funds from the plan will be turned over to the District Attorney for possible prosecution.

Mrs. Miller advised that the Insurance Committee has recommended that the Health Plan Document be amended by including a fraud provision and by adding the following language:

“Fraudulent acts such as an intentional misrepresentation of the truth in claiming dependents or submitting claims will result in the termination of plan benefits for the employee and the employee’s dependents. Fraudulent acts may also result in legal prosecution. Such acts will be determined by the Insurance Director

following careful and thorough review. A determination of fraud will be subject to the appeals process.”

Mrs. Miller advised that the question was asked if COBRA benefits would be allowed for the employee who might be removed from the plan in a situation such as this. She advised that the answer was no and that the employee would not be allowed COBRA benefits. She advised that any time there was gross misconduct, it would not be considered as a COBRA event.

Comm. Peay asked if an employee was contesting the decision, would the decision not to allow COBRA benefits be before or after a decision was made as to the fraud.

Mrs. Miller advised the employee would be allowed to continue coverage until a final determination was made.

Following discussion, Comm. Sandlin moved, seconded by Comm. Shafer to amend the Health Insurance Plan Document to include a fraud provision by adding the following language:

“Fraudulent acts such as an intentional misrepresentation of the truth in claiming dependents or submitting claims will result in the termination of plan benefits for the employee and the employee’s dependents. Fraudulent acts may also result in legal prosecution. Such acts will be determined by the Insurance Director following careful and thorough review. A determination of fraud will be subject to the appeals process.”

The motion passed unanimously by roll call vote.

#### REPORT FROM ELECTION REGISTRAR REGARDING ELECTION PROCESS:

Mr. Hooper Penuel, Election Registrar, was present, as requested at the last meeting, to give a report regarding the election process. Mr. Penuel stated that thanks to the Budget, Finance & Investment Committee, it was a great election in November. He stated that he over-shot some things, but all in all it was a good election. He asked the committee for their continued support in the future. He stated that there were a few snags, but they overcame those. He stated that he believed that the County Commission could be proud of the elections that were held in Rutherford County this year. He stated that he could not say enough about his staff and the work they did. There were approximately 420 election workers that helped the process run smoothly.

#### **GENERAL FUND BUDGET AMENDMENTS**

##### ELECTION COMMISSION:

Mr. Penuel requested approval of the following budget amendment to provide sufficient funding to cover the shortfall for Election Workers and Overtime Pay during the Presidential Election:

From:	101-39000 – Undesignated Fund Balance -	\$15,316
To:	101-51500-187 – Overtime Pay -	\$ 200
	101-51500-193 – Election Workers -	14,000
	101-51500-201 – Social Security -	880
	101-51500-204 – State Retirement -	26
	101-51500-212 – Employer Medicare -	210

Comm. Peay moved, seconded by Comm. Sandlin to approve the amendment to provide sufficient funding for the shortfall for Election Workers, Overtime Pay, and the related benefits as requested. The motion passed unanimously by roll call vote.

AMBULANCE SERVICE:

Mr. Mike Nunley, Ambulance Service Director, requested approval of the following budget amendment to appropriate money received from charges to MTSU and World Outreach Church for providing medical coverage at special events; and to appropriate insurance proceeds received to make repairs to an ambulance that was involved in an accident:

Increase Revenue:	101-43990 – Charges for Services -	\$1,740
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Increase Expend.:	101-55130-187 – Overtime Pay -	\$1,445
	101-55130-201 – Social Security -	90
	101-55130-204 – State Retirement -	185
	101-55130-212 – Employer Medicare -	20

Increase Revenue:	101-49700 – Insurance Recovery -	\$7,245
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Increase Expend.:	101-55130-338 – Maint./Repair Vehicles -	\$7,245
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Comm. Peay moved, seconded by Comm. Jernigan to approve the budget amendment for the Ambulance Service as requested to appropriate money received from charges to MTSU and World Outreach Church for providing medical coverage at special events; and to appropriate insurance proceeds received to make repairs to an ambulance that was involved in an accident. The motion passed unanimously by roll call vote.

HEALTH DEPARTMENT:

The Finance Director advised that the Health Department had been notified that the State had put the Tobacco Use Prevention and Cessation Grant on hold due to the economic climate. She reminded the committee that at the November 13, 2008 Commission meeting a Resolution was adopted approving the grant application and acceptance of the grant if awarded. The Resolution included a budget amendment recognizing the revenue to be received from the grant and appropriating the grant proceeds for Contracts with Government Agencies. She advised that since the State had put a hold on the grant she was recommending that the budget amendment be reversed as follows:

Decrease Revenue:	101-46390 – Other Health & Welfare Grants -	\$21,000
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Decrease Expend.:	101-55110-309 – Contracts w/Gov't Agencies -	\$21,000
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Comm. Jordan moved, seconded by Comm. Shafer to approve the budget amendment for the Health Department reversing the amount to be received from the Tobacco Use Prevention and Cessation Grant as requested. The motion passed unanimously by roll call vote.

GENERAL PURPOSE SCHOOL FUND BUDGET AMENDMENTS:

Mr. Jeff Sandvig, Assistant Superintendent, was present to request approval of a budget amendment appropriating \$895,177 in Other State Education Funds that the school system received for the State's teacher bonus. The bonus was \$288.77 in gross pay for a fulltime certified position as of September 2, 2008. \$784,761 was for the actual bonus, and \$110,416 was for the social security, Medicare and state retirement.

Mr. Sandvig next requested approval of the following budget amendment to appropriate an additional \$160,641 received from the State of Tennessee for high cost Special Education students. The funds were being used for two and a half special educational assistants needed for high cost students, in-service for teachers dealing with autism, and instructional items for high cost students:

Increase Revenue:	141-47143 – Education of the Handicapped -	\$160,641
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Increase Expend.:	141-71200-163 – Educational Assistants -	\$ 46,636
	141-71200-201 – Social Security -	2,891
	141-71200-204 – State Retirement -	5,965
	141-71200-206 – Life Insurance -	115
	141-71200-207 – Health Insurance -	19,092
	141-71200-212 – Employer Medicare -	676
	141-71200-429 – Instructional Supplies -	28,266
	141-72220-524 – In-Service/Staff Development -	57,000

Following review, Comm. Bullen moved, seconded by Comm. Shafer to approve the two amendments as requested to appropriate \$895,177 in Other State Education Funds to pay a bonus of \$288.77 plus the related benefits for fulltime certified positions and to appropriate \$160,641 in State Funds for high cost Special Education students. The motion passed unanimously by roll call vote.

#### SCHOOL BUILDING PROGRAM BUDGET AMENDMENT:

The Finance Director requested approval of the following budget amendment to close out the Almadale Property Project in Phase IV, which is really the high school site in the Stewarts Creek Complex, to available funds for the Future High School Project in Phase V:

From Almadale Property Project:	
Architect -	\$20,184
Site Development -	\$15,865
To Future High School Project	
Architect -	\$36,049

Following review, Comm. Jordan moved, seconded by Comm. Sandlin to approve the School Building Program budget amendment as requested to close out the Almadale Property Project and transfer \$36,049 to the Future High School Project. The motion passed unanimously by roll call vote.

#### APPROVE FUNDING FROM THE DEVELOPMENT TAX FOR THE DESIGN OF A NEW COUNTY CLERK'S OFFICE IN SMYRNA:

County Mayor Ernest Burgess, and Georgia Lynch, County Clerk was present to request funds for the design of a new County Clerk's Office in Smyrna.

Mayor Burgess stated that discussion about the need for a new County Clerk's Office in the North Rutherford County area had been going on for some time. He stated that the County owned property on Weakley Lane, and a preliminary design had been drawn that potentially showed where the building might be located. The actual design of the interior of the building had not been done at this point. He advised that the project had been discussed several time at the Property Management Committee and the concept of locating the County Clerk's building on Weakley Lane had been agreed upon. The building would be approximately 5,000 sq. ft. and would house the County Clerk's operations. The preliminary costs of construction and other costs would be approximately \$810,000. Mayor Burgess advised that the lease on the current location expired in the spring of 2010, and he would like to be in a position to begin construction after July, 2009.

Mayor Burgess requested approval to enter into a contract with Kline-Swinney and Associates to develop the plans and to be in a position to solicit bids before July 1, 2009. He requested approval of the following budget amendment to appropriate \$40,000 from the Development Tax as a transfer to the General Capital Projects Fund for the design of a new County Clerk's Office to be located on Weakley Lane in Smyrna:

From:	125-39000 – Undesignated Fund Balance -	\$40,000
To:	125-99100-590 – Transfers Out -	\$40,000

Following review, Comm. Bullen moved, seconded by Comm. Sandlin to approve a Resolution authorizing the County Mayor to enter into a contract with Kline-Swinney & Associates for the design of a new County Clerk's Building on Weakley Lane in Smyrna and to appropriate \$40,000 from the Development Tax as a transfer to the General Capital Projects Fund to provide funding for the said design, accompanying site and utility services.

Mrs. Lynch advised that the current rent was \$33,100 annually. She advised that at the current location parking space was the biggest problem.

Mayor Burgess advised that the current location contained approximately 2,500 sq. ft., and the proposed location would double the size. He stated that he hoped to provide some growth space for the County Clerk, as well as provide office space for the Trustee to collect property taxes.

Comm. Sandlin stated that he believed it was the correct location with the emissions testing site also located on the property.

Comm. Jernigan asked how the project would be funded.

Mayor Burgess advised that the money could be borrowed, and that the County Clerk could repay the loan from the fees she collected. He stated that there would not be much difference in the current rent payment and the payment on the loan to construct the building.

Comm. Bullen asked how much the fee to the architect would be.

Mayor Burgess advised that the compensation to the architect would be computed using the State agreed upon schedule, but that equated to 5.92%. He explained that the \$810,000 included some soft costs, but that the actual cost for the construction would be approximately \$600,000. He stated that he believed this was a reasonable fee.

Comm. Peay asked if the architect services had been bid.

The Finance Director advised that this would be considered professional services and would not have to be bid.

Mayor Burgess stated he did not believe a much better rate could be received, and that Kline & Associates were creditable and had provided very good services on projects in the past. As to the rates quoted for additional services, Mayor Burgess stated that there would be no additional services requested and that the schedule was typical for any contract.

Comm. Peay stated that he did not want to delay the project, but asked if bids could be requested.

Mayor Burgess stated that it would take about two months to solicit bids, review the bids and make a selection.

Following discussion, the motion to authorize the County Mayor to enter into a contract with Kline-Swinney Associates for the design of a new County Clerk's Office on Weakley Lane in Smyrna and to approve a budget amendment of \$40,000 from the Development Tax Fund as a transfer to the Capital Projects Fund passed by roll call vote with Comm. Peay voting "no".

#### GENERAL DEBT SERVICE FUND BUDGET AMENDMENTS:

Finance Director Lisa Nolen requested approval of the following General Debt Service Fund budget amendments to provide funding to pay the debt issuance charges and an interest payment on the \$10 million Capital Outlay Notes. Funds were budgeted in Other General Administration for the debt issuance charges, but the auditors require these charges to be split according to the debt issue. An interest payment was budgeted in the Education Interest on Bonds, but since a short term Capital Outlay Note was issued, funds need to be provided for interest on Notes:

From:	151-82230-603 – Education/Interest on Bonds -	\$97,500
To:	151-82210-604 – General/Interest on Notes -	\$14,625
	151-82230-603 – Education/Interest on Notes -	82,875
From:	151-51900-606 – Other General Administration/ Other Debt Issuance Charges -	\$25,000
To:	151-82310-606 – General/Other Debt Issuance Chgs. -	\$ 3,750
	151-82330-606 – Education/Other Debt Issuance Chgs. -	21,250

Following review, Comm. Sandlin moved, seconded by Comm. Jernigan to approve the General Debt Service Fund budget amendments as requested. The motion passed unanimously by roll call vote.

#### 2009-2010 BUDGET CALENDAR:

The 2009-2010 Budget Calendar was presented for approval. The calendar contained specific meeting dates of April 30, 2009 for the Director of Finance to file the consolidated budget document with the Budget, Finance & Investment Committee; May 27, 2009 for the Budget, Finance & Investment Committee to review and propose the annual budget; June 9, 2009 will be the date for the public hearing; and June 26, 2009 for the County Commission meeting at 9:00 A.M. to consider the 2009-10 budget.

Comm. Sandlin moved, seconded by Comm. Peay to approve the 2009-10 Budget Calendar as proposed. The motion passed unanimously by acclamation.

#### RESOLUTION AUTHORIZING THREE MILLION DOLLARS INTERFUND CAPITAL OUTLAY NOTES:

Lisa Nolen, Finance Director advised that when the initial \$15 Million Interfund Capital Outlay Note was approved, it authorized funding for school projects only.

Mrs. Nolen requested approval of a Three Million Dollars Interfund Capital Outlay Notes that would be roads and specifically for Florence Road and Halls Hill Pike.

Comm. Jernigan moved, seconded by Comm. Sandlin to approve the Resolution as presented and forward the same to the County Commission for the issuance of Interfund Capital Outlay Notes not to exceed Three Million Dollars to provide funds for the construction, extension and improvement of roads and acquisition of land and rights-of-way.

The Finance Director advised that when the County went to the bond market the next time this interfund note would be repaid.

Following discussion, the motion to approve the Resolution authorizing the issuance of Interfund Capital Outlay Notes not to exceed Three Million dollars for the purpose of providing funds for Florence Road and Halls Hill Pike and to forward the Resolution to the County Commission passed unanimously by roll call vote.

#### ADJOURNMENT:

There being no further business to be presented at this time Chairman Ealy declared the meeting adjourned at 6:30 P.M.